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If you are in any doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **ZTE CORPORATION**, you should at once hand this circular, together with the enclosed proxy forms, the Independent Director's Proxy Forms and reply slip to the purchaser or the transferee or to the bank, licensed securities dealers or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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ZTE

ZTE CORPORATION

中興通訊股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 763)

SUPPLEMENTARY CIRCULAR

PROPOSED ADOPTION OF 2017 A-SHARE OPTION INCENTIVE SCHEME AND PROPOSED GRANT THEREUNDER SUPPLEMENTARY NOTICE OF THE 2016 ANNUAL GENERAL MEETING AND NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2017

This supplementary circular shall be read in conjunction with the circular of the Company dated 10 April 2017.

A letter from the Board of ZTE Corporation is set out on pages 6 to 15 of this supplementary circular.

A supplementary notice of the AGM to be held as originally scheduled at the 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China, on Tuesday, 20 June 2017 at 9:00 a.m. is set out on pages 40 to 44 of this supplementary circular.

The H Shareholders' Class Meeting will be held at the 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China, on Tuesday, 20 June 2017 immediately following the conclusion of the AGM and the A Shareholders' Class Meeting or any adjournment thereof, at which special resolutions will be proposed to, among other things, approve and adopt the 2017 Scheme and its related matters by poll. The notice convening the H Shareholders' Class Meeting is set out on pages 45 to 50 of this supplementary circular.

The revised proxy form and the Independent Director's Proxy Form for use at the AGM, the proxy form and the Independent Director's Proxy Form for use at the H Shareholders' Class Meeting and the reply slip for the H Shareholders' Class Meeting are enclosed with this supplementary circular and are also published on the websites of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.zte.com.cn>). The reply slip for use at the AGM was enclosed with the circular of the Company dated 10 April 2017. Whether or not you are able to attend the AGM and the H Shareholders' Class Meeting, please complete and return the enclosed revised proxy form for use at the AGM and the proxy form for use at the H Shareholders' Class Meeting or the Independent Director's Proxy Forms in accordance with the instructions printed thereon and to lodge the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable and in any event not less than 24 hours before the time appointed for holding the AGM and the H Shareholders' Class Meeting or any adjournment thereof. Completion and return of the proxy forms or the Independent Director's Proxy Forms will not preclude you from attending and voting at the AGM and/or the H Shareholders' Class Meeting or any adjournment thereof (as the case may be) should you so wish. Any H Shareholders intending to attend the AGM and/or H Shareholders' Class Meeting shall deliver the respective reply slips to the Company by hand, post or facsimile on or before Tuesday, 30 May 2017.

26 April 2017

CONTENTS

	<i>Page</i>
Definitions	1
Expected timetable	5
Letter from the Board	6
Appendix I — Summary of the principal terms of the 2017 Scheme and the Proposed Grant thereunder	16
Appendix II — The 2017 Share Option Incentive Scheme Performance Appraisal System	35
Supplementary Notice of the 2016 Annual General Meeting	40
Notice of the First H Shareholders' Class Meeting of 2017	45

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“2013 Scheme”	the A-Share option incentive scheme adopted by the Company in 2013, details of which were disclosed in the circular of the Company dated 30 August 2013 and the announcements of the Company dated 31 October 2013, 22 July 2015, 27 October 2015, 15 July 2016, 27 October 2016 and 23 March 2017
“2017 Scheme”	the proposed 2017 A-Share option incentive scheme (draft) of the Company
“A Share(s)”	ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the Shenzhen Stock Exchange
“A Shareholders”	holders of A Shares
“A Shareholders’ Class Meeting”	the first A Shareholders’ class meeting of 2017 of the Company to be held at the 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the PRC on Tuesday, 20 June 2017 immediately following the conclusion of the AGM or any adjournment thereof to, among other things, approve and adopt the 2017 Scheme and its related matters or any adjournment thereof (as the case may be)
“AGM”	the 2016 annual general meeting of the Company to be held at 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China on Tuesday, 20 June 2017 at 9:00 a.m.
“AGM Notice”	the notice of the 2016 annual general meeting of the Company dated 10 April 2017
“AGM Supplementary Notice”	the supplementary notice of the 2016 annual general meeting of the Company
“Announcement”	the announcement of the Company dated 24 April 2017 in relation to the proposed adoption of the 2017 Scheme and the Proposed Grant thereunder by the Company
“Articles of Association”	the articles of association of the Company

DEFINITIONS

“Board”	the board of directors of the Company
“Class Meeting(s)”	the A Shareholders’ Class Meeting or the H Shareholders’ Class Meeting, or as the context requires, both of them
“Company”	ZTE Corporation (中興通訊股份有限公司), a joint stock limited company incorporated in the PRC and the H shares and A shares of which are listed on the Hong Kong Stock Exchange (stock code: 0763) and the Shenzhen Stock Exchange (stock code: 000063), respectively
“Company Law”	the Company Law of the PRC
“CSRC”	China Securities Regulatory Commission
“Date of Grant”	the date on which Options are granted to Participants by the Company, which must be a trading day and within 60 days after the approval of the 2017 Scheme by the Shareholders
“Director(s)”	the director(s) of the Company
“Exercise Date”	the date on which a Participant is entitled to exercise an Option, which must be a trading day
“H Share(s)”	ordinary share(s) of par value of RMB1.00 each in the registered capital of the Company, which are listed and traded on the Hong Kong Stock Exchange
“H Shareholders”	holders of H Shares
“H Shareholders’ Class Meeting”	the first H Shareholders’ class meeting of 2017 of the Company to be held at the 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the PRC on Tuesday, 20 June 2017 immediately following the conclusion of the AGM and A Shareholders’ Class Meeting or any adjournment thereof to, among other things, approve and adopt the 2017 Scheme and its related matters or any adjournment thereof (as the case may be)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

DEFINITIONS

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive Measures”	the Administrative Measures on Share Incentives of Listed Company* (《上市公司股權激勵管理辦法》) issued by the CSRC
“Independent Director’s Proxy Form(s)”	the proxy form(s) for the solicitation of votes by independent non-executive directors sent out by Mr. Bingsheng Teng, an independent non-executive Director, to solicit votes from the Shareholders on the special resolutions regarding the 2017 Scheme and its related matters at the AGM and the Class Meetings
“Latest Practicable Date”	24 April 2017, being the latest practicable date prior to the printing of this supplementary circular for ascertaining certain information in this supplementary circular
“Option(s)”	the right to be granted to a Participant to acquire certain number of A Shares of the Company at a pre-determined price in a particular period of time and subject to certain conditions under the 2017 Scheme
“Participant(s)”	the person(s) to be granted Option(s) under the 2017 Scheme
“Performance Appraisal System”	the 2017 Share Option Incentive Scheme Performance Appraisal System of ZTE Corporation, details of which are set out in Appendix II to this supplementary circular
“PRC”	the People’s Republic of China
“Proposed Grant”	the proposed grant of not more than 150,000,000 Options to the Participants pursuant to the 2017 Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC
“Share(s)”	A Share(s) and H Share(s), or as the context requires, either of them
“Shareholder(s)”	the holders of Shares
“Shenzhen Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange

DEFINITIONS

“Significant Event of Material Effect”	a transaction requiring disclosure under the Shenzhen Listing Rules or Hong Kong Listing Rules or any other significant event
“Supervisor(s)”	the supervisor(s) of the Company
“The Group”	the Company and its subsidiaries
“Validity Period”	the period during which the 2017 Scheme remains effective

* *English translation denotes for identification purposes only.*

EXPECTED TIMETABLE

2017

Latest time for lodging transfers of the H Shares to
qualify for attendance and voting at the AGM and
the H Shareholders' Class Meeting 4:30 p.m., Friday, 19 May

H Share register closed Monday, 22 May to
Monday, 19 June
(both dates inclusive)

Latest date for lodging reply slips for the AGM and the
H Shareholders' Class Meeting Tuesday, 30 May

Latest time for lodging proxy forms for the AGM and
the H Shareholders' Class Meeting 9:00 a.m., Monday, 19 June

AGM and Class Meetings 9:00 a.m., Tuesday, 20 June

H Share register re-opens Tuesday, 20 June

ZTE

ZTE CORPORATION

中興通訊股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 763)

Executive Directors:

Yin Yimin
Zhao Xianming
Wei Zaisheng

Non-executive Directors:

Zhang Jianheng
Luan Jubao
Wang Yawen
Tian Dongfang
Zhan Yichao

Independent non-executive Directors:

Richard Xike Zhang
Chen Shaohua
Lü Hongbing
Bingsheng Teng
Zhu Wuxiang

Registered address:

ZTE Plaza
Keji Road South
Hi-Tech Industrial Park
Nanshan District
Shenzhen, 518057
Guangdong Province
The PRC

Principal place of business

in Hong Kong:
36/F, Tower Two
Times Square
1 Matheson Street, Causeway Bay
Hong Kong

26 April 2017

To the Shareholders

Dear Sir or Madam,

**PROPOSED ADOPTION OF 2017 A-SHARE OPTION INCENTIVE SCHEME
AND PROPOSED GRANT THEREUNDER
SUPPLEMENTARY NOTICE OF THE 2016 ANNUAL GENERAL MEETING
AND
NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2017**

I. INTRODUCTION

Reference is made to the Announcement, the circular and the AGM Notice dated 10 April 2017 of the Company which contain the details of the resolutions to be tabled before the AGM for Shareholders' approval.

LETTER FROM THE BOARD

At the AGM and the Class Meetings, resolutions will be proposed to the Shareholders to, among other things, approve and adopt the 2017 Scheme and its related matters.

The purpose of this supplementary circular is to provide you with more detailed information concerning the proposed resolutions at the AGM and the Class Meetings in relation to the 2017 Scheme and its related matters.

II. PROPOSED ADOPTION OF THE 2017 SCHEME

The 2017 Scheme is formulated to further refine the corporate governance structure of the Company, improve corporate incentive systems of the Company, enhance loyalty and sense of responsibility of the management and key personnel of the Company, retain talent for sustainable development of the Company and safeguard the realization of development targets of the Company.

A summary of the principal terms of the 2017 Scheme is set out in Appendix I on pages 16 to 34 to this supplementary circular.

III. PROPOSED GRANT

1. Source and number of Shares under the 2017 Scheme

The source of the underlying shares of the Options which are proposed to be granted to the Participants under the 2017 Scheme shall be A Shares denominated in RMB.

The total number of underlying A Shares in relation to the Options that may be granted under the 2017 Scheme shall not exceed 150,000,000 A Shares, representing approximately 3.6% of the Company's existing total issued share capital and approximately 4.4% of the total number of A Shares as at the Latest Practicable Date and approximately 3.6% of the Company's total issued share capital as at the date of approval of the 2017 Scheme by the Shareholders (assuming no further changes in issued share capital from the Latest Practicable Date and up to the date of approval).

The Options under the 2017 Scheme will be granted all at once and the Proposed Grant (including the Options to be granted to the Directors and chief executives) has been approved by the independent non-executive Directors on 24 April 2017.

Based on the terms of the 2017 Scheme, the Proposed Grant and the share options granted under the 2013 Scheme, the total number of Shares issued and to be issued upon exercise of the share options granted to each participant (including both exercised and outstanding options) in any 12-month period would not exceed 1% of the Company's total A share capital.

LETTER FROM THE BOARD

2. Exercise periods and performance targets before Options can be exercised

The exercise of the Options under the Proposed Grant is subject to a vesting period of two years, during which period the Options are not exercisable. Subject to the fulfillment of the exercise conditions, the Options under the Proposed Grant can be exercised in batches in the manner set forth below:

Exercise period	Duration	Proportion of Options exercisable to the total number of Options granted
First exercise period	Commencing on the first trading day after the expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	1/3
Second exercise period	Commencing on the first trading day after the expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	1/3
Third exercise period	Commencing on the first trading day after the expiry of the 48-month period from the Date of Grant and ending on the last trading day of the 60-month period from the Date of Grant	1/3

For detailed information, please also refer to the paragraph headed “Validity Period, Date of Grant, vesting period, Exercise Date, exercise period and lock-up provisions” in Appendix I to this supplementary circular. The two-year vesting period may provide incentives to the Participants to remain employed with the Company during such period and thereby enable the Company to benefit from the continued service of such Participants, thus providing long-term rewards and retention incentives to the Participants and retain human resources that are valuable to the growth and development of the Company as a whole.

In addition, Options may only be exercised by the Participants upon fulfillment of the conditions as set out in the paragraph headed “Conditions of grant and exercise of the Options” in Appendix I to this supplementary circular. Besides, Options granted to the Participants can only be exercised after the Participant has passed the performance appraisal for the relevant year. These requirements, together with the exercise period as mentioned above, may enable the Company to provide incentives to the Participants to motivate their pro-activeness and creativity in using their best endeavors to facilitate

LETTER FROM THE BOARD

the growth and development of the Company. The above also correlates their interests with the long term development of the Company, and allows sustainable development of the Company.

Details of the Proposed Grant, including the information of the Participants, the number of A Shares subject to the Options which are proposed to be granted to the Participants and the exercise price, are set out in Appendix I on pages 16 to 34 to this supplementary circular.

IV. THE 2017 SHARE OPTION INCENTIVE SCHEME PERFORMANCE APPRAISAL SYSTEM

Under the 2017 Scheme, the Participants must pass the performance appraisal in the preceding year according to the Performance Appraisal System before the exercise of any Option by the Participants. Details of the Performance Appraisal System are set out in Appendix II on pages 35 to 39 to this supplementary circular.

V. CONDITIONS OF THE 2017 SCHEME BECOMING EFFECTIVE

The 2017 Scheme shall be effective upon approval of the 2017 Scheme at the general meeting of the Company. The grant of Options and its effectiveness are also subject to the satisfaction of the conditions stipulated under the 2017 Scheme.

VI. VALUE OF THE OPTIONS

The Company used the Binomial Tree model to calculate the value of the Options. By taking the Latest Practicable Date as the measurement date, the estimated value of the Options is RMB6.16 per A Share, representing 35.71% of the closing price of the A Shares as quoted on the Shenzhen Stock Exchange as at the Latest Practicable Date. Data used in and results of the calculation are as follows:

Factors	Description
Exercise price	RMB17.06 per A Share
	The exercise price used herein was determined in accordance with the relevant provisions stated in the 2017 Scheme, being the higher of:
	(i) the average of the trading prices of the A Shares on the last trading day immediately preceding the date of the announcement of the summary of the 2017 Scheme (i.e. 19 April 2017), which was RMB17.06 per A Share; and

LETTER FROM THE BOARD

Factors	Description
	(ii) the average of the trading prices of the A Shares for the last 120 trading days immediately preceding the date of the announcement of the summary of the 2017 Scheme, which was RMB16.34 per A Share.
Market price	RMB17.25 per share, being the closing price of the A Shares as quoted on the Shenzhen Stock Exchange on the Latest Practicable Date.
Expected life	The Participants shall exercise all his/her Options exercisable in the first, second and third exercise period within the third year, the fourth year and the fifth year from the Date of Grant, respectively.
Expected price volatility rate	The historical price volatility rate of the Company's A Shares for the first, second and third exercise period, being 47.78%, 43.21%, 44.08% respectively.
Expected dividend (Note 1)	RMB0.18 per Share
Risk-free interest rate (Note 2)	The risk-free interest rate for the first, second and third exercise period, being 3.17%, 3.22%, 3.28% respectively.
Value of Options per A Share (Note 3)	RMB6.16

Notes:

1. The expected dividend was calculated based on the historical dividends of the Company.
2. For the first, second and third exercise period, the Company adopted the three-year, four-year and five-year national bond yield rate as quoted in Reuters as at the Latest Practicable Date as the risk-free interest rate respectively.
3. The calculation results of the value of the Options are subject to a number of assumptions of the parameters used herein and the limitation of the model adopted, and therefore, the estimate value of the Options may be subjective and uncertain.

LETTER FROM THE BOARD

VII. WAIVER FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

The exercise price of the Options proposed to be granted under the 2017 Scheme shall be RMB17.06 per A Share, which is the higher of:

- (i) the average of the trading prices of the A Shares on the last trading day immediately preceding the date of the announcement of the summary of the 2017 Scheme (i.e. 19 April 2017), which was RMB17.06 per A Share; and
- (ii) the average of the trading prices of the A Shares for the last 120 trading days immediately preceding the date of announcement of the summary of the 2017 Scheme, which was RMB16.34 per A Share.

According to the Incentive Measures promulgated by the CSRC, the exercise price of the Options shall be the higher of:

- (i) the average of the trading prices of the A Shares on the last trading day immediately preceding the date of announcement of the draft scheme; and
- (ii) one of the average of the trading prices of the A Shares for the last 20 trading days, 60 trading days or 120 trading days immediately preceding the date of the announcement of the draft scheme.

In respect of (ii) above, the Company has selected the average of the trading prices of the A Shares for the last 120 trading days immediately preceding the date of the announcement of the summary of the 2017 Scheme.

Note 1 of Rule 17.03(9) of the Hong Kong Listing Rules requires that the exercise price must be at least the higher of (i) the closing price of the securities as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the daily quotations sheets for the five business days immediately preceding the date of grant.

However, since the Options subject to the Proposed Grant relate to A Shares only and are subject to the approval of the Shareholders at a general meeting, A Share class meeting and H share class meeting, and the determination of the exercise price is in accordance with the relevant rules and regulations promulgated by the CSRC and in view of the practical difficulties involved, the Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Note 1 of Rule 17.03(9) of the Hong Kong Listing Rules. For details of the determination of the exercise price under the 2017 Scheme, please refer to the paragraph headed “Exercise price and basis of determination” in Appendix I to this supplementary circular.

VIII. 2013 SCHEME

The 2013 Scheme was approved and adopted on 15 October 2013 and all share options under the 2013 Scheme were granted on 31 October 2013 to a total of 1,528 participants involving options to subscribe for 102,989,000 A Shares, with three separate exercise periods upon fulfillment of the respective exercise conditions. The registration of the grants under the 2013 Scheme was completed and the initial exercise price of the share options was RMB13.69.

As disclosed in the announcement of the Company dated 22 July 2015, the number of share options under the 2013 Scheme was adjusted to 123,586,800 and the exercise price was adjusted to RMB11.22 after the implementation of the 2013 profit distribution plan and the 2014 plan for profit distribution and conversion of capital reserve. As disclosed in the announcement of the Company dated 27 October 2015, the exercise conditions for the first exercise period of the share options were fulfilled, and there were 1,424 participants entitled to exercise the share options, and the exercisable share options for the first exercise period was 34,884,360. As disclosed in the announcement of the Company dated 15 July 2016, the exercise price of the share options was further adjusted to RMB10.97 as a result of the implementation of the 2015 profit distribution plan. As disclosed in the announcement of the Company dated 27 October 2016, the exercise conditions for the second exercise period of the share options were fulfilled, and there were 1,350 participants who were entitled to exercise the share options, and the exercisable share options for the second exercise period was 33,101,640. As disclosed in the announcement of the Company on 23 March 2017, the exercise conditions for the third exercise period were not fulfilled due to the non-fulfillment of conditions pertaining to the business results of the Group for the year ended 31 December 2016. As a result, share options in respect of the third exercise period of 44,356,320 shares in aggregate will lapse with immediate effect and will be withdrawn and cancelled by the Company following the consideration and approval of the 2016 financial report at the AGM.

In accordance with the terms of the 2013 Scheme, the first exercisable period for the share options expired on 31 October 2016 and the second exercisable period for the share options is due to expire on 31 October 2017. In view of the imminent expiry of the remaining share options under the 2013 Scheme and that no further options can be granted under the terms of the 2013 Scheme, the Board believes that it is opportune time to adopt the 2017 Scheme in order to continue to incentivize key personnel of the Group.

Of the share options granted under 2013 Scheme, as at the Latest Practicable Date, a total of 55,928,490 share options had lapsed or cancelled in accordance with its terms, and 60,847,376 A Shares had been issued in respect of the exercise of the share options granted. As at the Latest Practicable Date, the number of outstanding share options granted under the 2013 Scheme was 6,810,934.

Other than the 2013 Scheme, the Company had not adopted any other share option scheme as at the Latest Practicable Date. As the Board had adopted “one-off” grant of share options to participants under 2013 Scheme pursuant to the then applicable “Administrative Measures on Share Incentives of Listed Company (Preliminary)”

LETTER FROM THE BOARD

promulgated by the CSRC, no further options may be granted under the 2013 Scheme as at the Latest Practicable Date. Based on the terms of the 2017 Scheme and the Proposed Grant: (i) the total number of A Shares which may be issued upon exercise of all options to be granted under the 2017 Scheme would not in aggregate exceed 10% of the Company's A share capital as at the date of approval of the 2017 Scheme; and (ii) the maximum number of A Shares which may be issued upon exercise of all options to be granted under the 2017 Scheme and all outstanding options granted and yet to be exercised under the 2013 Scheme would not exceed 30% of the Company's A share capital in issue from time to time.

IX. AGM AND THE H SHAREHOLDINGS' CLASS MEETING

The AGM will be held as originally scheduled by the Company at 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the PRC, on Tuesday, 20 June 2017 at 9:00 a.m. at which special resolutions will be proposed to, among other things, approve and adopt the 2017 Scheme and its related matters by poll. The AGM Supplementary Notice is set out in pages 40 to 44 of this supplementary circular.

The H Shareholders' Class Meeting will be held at 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the PRC, on Tuesday, 20 June 2017 immediately following the conclusion of the AGM and A Shareholders' Class Meeting or any adjournment thereof, at which special resolutions will be proposed to, among other things, approve and adopt the 2017 Scheme and its related matters by poll.

Please note that Mr. Bingsheng Teng, an independent non-executive Director, has sent out the Independent Director's Proxy Forms in accordance with the relevant regulations of the PRC to solicit votes from the Shareholders on the resolutions regarding the 2017 Scheme and its related matters at the AGM and the Class Meetings. Should you wish to appoint Mr. Bingsheng Teng as your proxy to vote for you and on your behalf at the AGM and/or the H Shareholders' Class Meeting on the resolutions regarding the 2017 Scheme and its related matters, please complete the Independent Director's Proxy Forms. Alternatively, if you wish to appoint any person other than Mr. Bingsheng Teng as your proxy to vote for you and on your behalf at the AGM and/or the H Shareholders' Class Meeting on the resolutions regarding the 2017 Scheme and its related matters, you may simply disregard the Independent Director's Proxy Forms and complete and return the revised proxy form for use at the AGM and the proxy form for use at the H Shareholders' Class Meeting instead. The Report on the Solicitation of Voting Rights by the Independent Non-executive Directors prepared by Mr. Bingsheng Teng has also been published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.zte.com.cn>) by an announcement of the Company dated 24 April 2017.

AGM Supplementary Notice, Notice of the H Shareholders' Class Meeting, the revised proxy form and the Independent Director's Proxy Form for use at the AGM, the proxy form and the Independent Director's Proxy Form for use at the H Shareholders' Class Meeting and the reply slip of the H Shareholders' Class Meeting are enclosed with this supplementary circular and are also published on the websites of Hong Kong Stock

LETTER FROM THE BOARD

Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.zte.com.cn>). The reply slip for use at the AGM was enclosed with the circular of the Company dated 10 April 2017. Whether or not you are able to attend the AGM and the H Shareholders' Class Meeting, please complete and return the enclosed revised proxy form for use at the AGM and the proxy form for use at the H Shareholders' Class Meeting or the Independent Director's Proxy Forms in accordance with the instructions printed thereon and to lodge the same with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable and in any event not less than 24 hours before the time appointed for holding the AGM and the H Shareholders' Class Meeting or any adjournment thereof. Completion and return of the proxy forms or the Independent Director's Proxy Forms will not preclude you from attending and voting at the AGM and/or the H Shareholders' Class Meeting or any adjournment thereof (as the case may be) should you so wish. Any H Shareholders intending to attend the AGM and/or the H Shareholders' Class Meeting shall deliver the reply slips to the Company by hand, post or facsimile on or before Tuesday, 30 May 2017.

The H Share register of members of the Company will be closed from Monday, 22 May 2017 until Monday, 19 June 2017 (both days inclusive) to determine qualifications of Shareholders to attend and vote at the AGM and/or the H Shareholders' Class Meeting. Any H Shareholder who wishes to attend and vote at the AGM and/or the H Shareholders' Class Meeting shall lodge an instrument of transfer, together with the corresponding share certificate(s) with Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Friday, 19 May 2017.

To the extent that the Company is aware having made all reasonable enquiries, none of the Shareholders is required to abstain from voting in respect of any of the special resolutions to be proposed at the AGM or the H Shareholders' Class Meeting under the Hong Kong Listing Rules.

X. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the proposed special resolutions for approving and adopting the 2017 Scheme and its related matters (including the authorization to the Board and the Performance Appraisal System) are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant special resolutions to be proposed at the AGM and the H Shareholders' Class Meeting to approve the same.

XI. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I (Summary of the principal terms of the 2017 Scheme and the Proposed Grant thereunder) and Appendix II (The 2017 Share Option Incentive Scheme Performance Appraisal System) to this supplementary circular.

LETTER FROM THE BOARD

A copy of the 2017 Scheme is available for inspection at the principal place of business of the Company in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong during normal business hours from the date hereof up to and including 20 June 2017, being the date of the AGM and the Class Meetings.

XII. RESPONSIBILITY STATEMENT

This supplementary circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this supplementary circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement contained herein or this supplementary circular misleading.

By Order of the Board
Yin Yimin
ZTE Corporation
Chairman

Shenzhen, the PRC

The following is a summary of the principal terms of the 2017 Scheme to be approved and adopted at the AGM and the Class Meetings. It does not form part of nor is it intended to be part of, the terms of the 2017 Scheme and it should not be taken as affecting the interpretation of the terms of the 2017 Scheme. As the 2017 Scheme is prepared in Chinese, should there be any inconsistencies or conflicts between the English and the Chinese versions, the Chinese version shall prevail.

I. SUMMARY OF THE PRINCIPAL TERMS OF THE 2017 SCHEME

1. Purpose of the 2017 Scheme

The 2017 Scheme is to further refine the corporate governance structure of the Company, improve corporate incentive systems of the Company, enhance loyalty and sense of responsibility of the management and key personnel of the Company, retain talent for sustainable development of the Company and safeguard the realization of development targets of the Company.

2. Basis for determining the Participants and the scope of Participants of the 2017 Scheme

(1) Basis for determining the Participants

The Participants of the 2017 Scheme are determined taking into account of the Company's actual situations, and in accordance with the Company Law, the Securities Law, the Incentive Measures, the Hong Kong Listing Rules as well as the relevant laws and regulations and the relevant provisions of the Articles of Association.

(2) Scope of Participants

The proposed Participants of the 2017 Scheme include Directors, senior management and key business personnel who have direct impact on the overall results and continuous development of the Company or who have had outstanding contribution to the Company (but excluding any independent non-executive Directors, substantial Shareholders or de facto controllers which individually or together hold Shares representing 5% voting rights of the Company or above, and their spouses, parents and children).

In addition, persons cannot be Participants under the 2017 Scheme if they:

- (i) have been declared an inappropriate candidate by the Shenzhen Stock Exchange in the past 12 months;
- (ii) have been declared an inappropriate candidate by the CSRC or its local bureaus in the past 12 months;

- (iii) have been imposed with administrative penalties or prohibited from market entry by the CSRC or its local bureaus in the past 12 months owing to material violations of laws and regulations;
- (iv) have been prohibited from acting as a Director or a member of the senior management of the Company under the Company Law;
- (v) have been prohibited from participation in the share incentive schemes of listed companies under laws and regulations;
- (vi) fall within other circumstances as determined by the CSRC;
- (vii) have committed other material violations of relevant regulations of the Company as determined by the Board.

3. Source and number of Shares under the 2017 Scheme

(1) Source of underlying Shares of the 2017 Scheme

The source of the underlying Shares of the 2017 Scheme shall be A Shares denominated in RMB.

(2) Number of underlying Shares

The total number of underlying A Shares in relation to the Options that may be granted under the 2017 Scheme shall not exceed 150,000,000 A Shares, representing approximately 3.6% of the Company's existing total issued share capital and approximately 4.4% of the total number of A Shares as at the Latest Practicable Date.

Unless approved by the Shareholders in a general meeting, the aggregate number of A Shares to be issued to a Participant upon exercise of his/her Options under the 2017 Scheme or other effective share incentive schemes of the Company (if any) at any time must not exceed 1% of the Company's total A share capital, and the maximum entitlement which may be granted to a Participant (including exercised, cancelled and outstanding Options) within any 12-month period shall not exceed 1% of the Company's total A share capital.

4. Incentive Method of the 2017 Scheme

Options will be granted under the 2017 Scheme as incentives. The underlying Shares are ordinary A Shares. Within the Validity Period and the exercise period, and subject to the fulfillment of the exercise conditions of the 2017 Scheme and the exercise arrangement, each Option entitles the holder to acquire one A Share at a pre-determined price.

5. Validity Period, Date of Grant, vesting period, Exercise Date, exercise period and lock-up provisions*(1) Validity Period*

The 2017 Scheme shall be effective for five years from the Date of Grant under the 2017 Scheme.

(2) Date of Grant

Please see the section “Proposed Grant under the 2017 Scheme — Date of Grant” below for further information on the Date of Grant of the Options.

(3) Vesting period

The vesting period of the 2017 Scheme is two years from the Date of Grant.

(4) Exercise Date

Options granted under the 2017 Scheme are exercisable according to its percentage as required under each batch subject to a vesting period of two years.

The Exercise Date must be a trading day, which must not fall within any of the following periods:

- (i) the period commencing from 30 days prior to the publication of periodic reports of the Company; or in the event of delay in publishing the annual report or interim report of the Company due to special reasons, the period commencing from 30 days prior to the original date of publication and ending on one day immediately preceding the publication date;
- (ii) the period commencing from ten days prior to the publication of the Company’s announcement of estimated results and preliminary results;
- (iii) the period commencing from the date of occurrence of a material event which may have a substantial impact on the trading prices of the Company’s shares and their derivatives or the date on which relevant decision-making procedures start and ending on the second trading day following the publication of a relevant announcement in accordance with laws; and
- (iv) other periods as stipulated by the CSRC and the Shenzhen Stock Exchange.

(5) Exercise period

Subject to the fulfillment of the exercise conditions, Options granted under the 2017 Scheme can be exercised in batches after the expiry of the two-year period from the Date of Grant according to the following exercise arrangement:

Exercise period	Duration	Proportion of Options exercisable to the total number of Options granted
First exercise period	Commencing on the first trading day after the expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	1/3
Second exercise period	Commencing on the first trading day after the expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	1/3
Third exercise period	Commencing on the first trading day after the expiry of the 48-month period from the Date of Grant and ending on the last trading day of the 60-month period from the Date of Grant	1/3

(6) Lock-up provisions to the underlying Shares

The A Shares acquired by the Participants pursuant to the exercise of the Options under the 2017 Scheme are subject to the following lock-up provisions:

- (i) Where the Participant is a Director or member of the senior management, the number of Shares which may be transferred by the Participant per year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her, and the Participant shall not transfer the Shares held by him/her within six months after his/her resignation.
- (ii) Where the Participant is a Director or member of senior management, all gains from the sale of Shares within six months of acquisition or from the acquisition of Shares within six months of sale by the Participant shall be accounted to the Company and the Board will collect all such gains.

- (iii) If, during the Validity Period, there is any amendment to the requirements regarding the Share transfer by a Director and senior management of the Company under the Company Law, the Securities Law, the Shenzhen Listing Rules, the Hong Kong Listing Rules, relevant regulations and the Articles of Association, the amended restrictions shall apply.

6. Exercise price and basis of determination

Please see the section “Proposed Grant under the 2017 Scheme — Exercise price and basis of determination” below for further information on the exercise price and its basis of determination.

7. Conditions of grant and exercise of the Options

(1) Conditions of grant of Options

The following conditions must be fulfilled before Participants are granted with the Options:

- (i) None of the following circumstances has occurred in relation to the Company:
 - (a) Issue of the Company’s financial and accounting report for the most recent financial year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;
 - (b) Issue of an audit report containing an adverse opinion or indication of inability to give an opinion by a certified public accountant in the internal control of financial reporting for the most recent accounting year;
 - (c) Failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the past 36 months after listing;
 - (d) Prohibition from participation in share incentive schemes under laws and regulations;
 - (e) Other circumstances as determined by the CSRC.

- (ii) None of the following circumstances has occurred in relation to the Participant:
 - (a) Having been declared an inappropriate candidate by the Shenzhen Stock Exchange in the past 12 months;
 - (b) Having been declared an inappropriate candidate by the CSRC or its local bureaus in the past 12 months;
 - (c) Having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local bureaus in the past 12 months owing to material violations of laws and regulations;
 - (d) Being prohibited from acting as a Director or a member of the senior management of the Company under the Company Law;
 - (e) Being prohibited from participation in the share incentive schemes of listed companies under laws and regulations;
 - (f) Other circumstances as determined by the CSRC;
 - (g) Other material violations of relevant regulations of the Company as determined by the Board.
- (iii) The average of audited net profit attributable to holders of ordinary shares of the listed company for the latest three financial years as announced by the Company not being negative.

(2) Conditions of exercise of Options

(i) Performance indicators

There are two performance indicators for the Options to be exercised: (a) weighted average return on net assets (“ROE”) and (b) growth rate of net profit attributable to holders of ordinary shares of the listed company (“Net Profit Growth”).

For the purpose of calculating the performance indicators, “net assets” shall refer to the net assets attributable to holders of ordinary shares of the listed company and “net profit” shall refer to the net profit attributable to holders of ordinary shares of the listed company.

(ii) Exercise conditions of the Options

Subject to the conditions abovementioned, the Options can only be exercised upon satisfaction of the following conditions:

- (a) No Option can be exercised unless the Company has achieved the following applicable performance targets in the relevant exercise period:

Exercise period	Performance target
First exercise period	ROE for the year 2017 shall be no less than 10% and on the basis of RMB3.825 billion, Net Profit Growth for 2017 shall be no less than 10%.
Second exercise period	ROE for the year 2018 shall be no less than 10% and on the basis of RMB3.825 billion, Net Profit Growth for 2018 shall be no less than 20%.
Third exercise period	ROE for the year 2019 shall be no less than 10% and on the basis of RMB3.825 billion, Net Profit Growth for 2019 shall be no less than 30%.

Net loss attributable to holders of ordinary shares of the listed company for the year ended 31 December 2016 amounted to RMB2.36 billion, which was primarily due to the provision for relating loss of approximately USD892 million in accordance with the agreements reached by the Company with relevant U.S. governmental departments and based on applicable accounting standards. The basis of RMB3.825 billion represents the net profit attributable to holders of ordinary shares of the listed company for the year ended 31 December 2016 if the aforesaid provision for loss was disregarded. For details, please refer to the 2016 Annual Report.

Adjustment to the above performance indicators in light of equity financing conducted by the Company during the Validity Period are as follows:

- (A) If the Company conducts an equity financing during the Validity Period so as to fully settle or finance the consideration payable for an asset acquisition, then the relevant ROE and Net Profit Growth in the exercise period immediately after the year of completion of such equity financing shall be adjusted

by excluding such new assets from the amount of net profit of the Company and excluding such new assets from the amount of net assets of the Company.

- (B) If the Company conducts an equity financing during the Validity Period not for settlement or finance of the consideration payable for an asset acquisition, then the relevant ROE and Net Profit Growth in the exercise period immediately after the year of completion of such equity financing shall remain unchanged.
 - (C) If the Company conducts an equity financing during the Validity Period so as to partially settle or finance the consideration payable for an asset acquisition, then the relevant ROE and Net Profit Growth in the exercise period immediately after the year of completion of such equity financing shall be adjusted partially in light of the subparagraphs (A) and (B) above.
- (b) The following conditions shall also be fulfilled by the Participants in order to exercise the Options:
- (A) During the Validity Period, none of the circumstances as stipulated in paragraph 7(1)(ii) has occurred in relation to the Participant as at the end of the relevant exercise period, otherwise the Participant shall abstain from participating in the 2017 Scheme without any compensation.
 - (B) The Participant has passed his/her performance appraisal for the preceding year according to the “2017 Share Option Incentive Scheme Performance Appraisal System of ZTE Corporation”, otherwise the Options exercisable by him/her in the relevant exercise period will be withdrawn and cancelled by the Company without any compensation but the Participant will remain entitled to participate in the 2017 Scheme and the exercisable Options granted to him/her in other exercise periods shall remain valid.

If the above conditions are fulfilled, the Participants can exercise all his/her Options exercisable in the relevant exercise period.

8. Methods and procedures for adjustment of the number and the exercise price of the Options under the 2017 Scheme***(1) Method of adjusting the number of Options***

From the Date of Grant, in the event of any capitalisation issue, bonus issue, sub-division or rights issue or consolidation of Shares, etc. in relation to the A Shares of the Company before the exercise of the Options, an adjustment to the number of Options shall be made accordingly.

The method of adjustment in principle is set out below:

(i) Capitalisation issue, bonus issue and sub-division of Shares

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Options before the adjustment; n represents the ratio of increase per Share resulting from the capitalisation issue, bonus issue and sub-division of Shares (i.e. the number of increased Shares per Share upon capitalisation issue, bonus issue or subdivision of Shares); Q represents the adjusted number of Options.

(ii) Rights Issue

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Options before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the subscription price of the rights issue; n represents the basis of the rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total share capital of the Company before the rights issue); Q represents the adjusted amount of Options.

(iii) Consolidation of Shares

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Options before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share shall be consolidated into n Shares); Q represents the adjusted number of Options.

(2) Methods of adjusting the exercise price

From the Date of Grant, in the event of any dividend distribution, capitalisation issue, bonus issue, sub-division or rights issue or consolidation of Shares, etc. in relation to the A Shares before the exercise of the Options, an adjustment to the exercise price shall be made accordingly.

The method of adjustment in principle is set out below:

(i) Capitalisation issue, bonus issue and sub-division of Shares

$$P = P0 \div (1 + n)$$

Where: P0 represents the exercise price before the adjustment; n represents the ratio of increase per Share resulting from the capitalisation issue, bonus issue and sub-division of Shares; P represents the adjusted exercise price.

(ii) Rights issue

$$P = P0 \times (P1 + P2 \times n) / (P1 \times (1 + n))$$

Where: P0 represents the exercise price before the adjustment; P1 represents the closing price as at the record date; P2 represents the subscription price of the rights issue; n represents the basis of the rights issue (i.e. the number of Shares to be issued under the rights issue in proportion to the total share capital of the Company before the rights issue); P represents the adjusted exercise price.

(iii) Consolidation of Shares

$$P = P0 \div n$$

Where: P0 represents the exercise price before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share shall be consolidated into n Shares); P represents the adjusted exercise price.

(iv) Declaration of dividend

$$P = P0 - V$$

Where: P0 represents the exercise price prior to adjustment; V represents the amount of dividend per A Share; P represents the exercise price after adjustment.

(3) Adjustment procedures

The Board will be authorised by the Shareholders at a general meeting of the Company to adjust the exercise price and the number of Options under the 2017 Scheme upon occurrence of any of the abovementioned circumstances. The Company shall engage a legal adviser to advise the Board whether such adjustment, if any, is in compliance with the Incentive Measures, the Articles of Association and the 2017 Scheme.

Any adjustment to the exercise price, number of Options or other terms due to other reasons, after being reviewed by the Board, shall be submitted to a general meeting of the Company for approval before implementation.

Any adjustments required under the Rule 17.03(13) of the Hong Kong Listing Rules must give the Participants the same proportion of the share capital as that to which that person was previously entitled, but no adjustments may be made to the extent that the Share would be issued at less than its nominal value. In respect of any adjustments required under the Rule 17.03(13) of the Hong Kong Listing Rules, other than any adjustments made on a capitalisation issue, an independent financial adviser or the Company's auditors will confirm to the Directors in writing that the adjustments satisfy the requirements set out in the note of Rule 17.03(13) of the Hong Kong Listing Rules.

(4) Amendments to the 2017 Scheme

The Board may make amendments to the 2017 Scheme in accordance with the requirements of laws and regulations. Prior to the convening of a general meeting of the Company for approval of the 2017 Scheme, the Company may amend the draft of the 2017 Scheme upon requests of the PRC and/or Hong Kong regulatory authorities. In case of any discrepancies between the terms of the 2017 Scheme and the requirements of relevant laws, regulations, agreements, the Shenzhen Stock Exchange or the Hong Kong Stock Exchange or any amendment made thereto, the requirements of relevant laws, regulations, agreements, the Shenzhen Stock Exchange or the Hong Kong Stock Exchange shall prevail.

Amendments to the 2017 Scheme shall be approved at the general meeting if (i) certain amendments to the 2017 Scheme under the requirements of laws, regulations, agreements, the Shenzhen Stock Exchange or the Hong Kong Stock Exchange require the approval of a general meeting or of the CSRC, the Shenzhen Stock Exchange or the Hong Kong Stock Exchange; (ii) the amendments relate to matters provided in Rule 17.03 of the Hong Kong Listing Rules and are to the advantage of the Participants; (iii) the amendments to the provisions of the 2017 Scheme are of a material nature or any change to the terms of options granted, except where the alterations take effect automatically under the existing terms of the 2017 Scheme; or (iv) the amendments relate to the power of the Board in amending the terms of the 2017 Scheme.

9. Handling method on special cases*(1) Change of the largest Shareholder*

Where there is a change of the largest Shareholder because of restructuring and merger and acquisition, the existing largest Shareholder shall add a term into the share transfer agreement (or other agreements resulting in the change of the largest Shareholder) that the new largest Shareholder shall guarantee that the 2017 Scheme will remain unchanged, ensure an effective implementation of the 2017 Scheme and complete the 2017 Scheme.

(2) Merger and demerger

Where there is merger or demerger of the Company, the parties shall undertake in the relevant merger/demerger agreements to continue implementing the 2017 Scheme and to adjust the content of the 2017 Scheme based on actual situations. The parties thereto cannot change the Participants, the number of Options granted under the 2017 Scheme, the exercise price and the exercise conditions without reasons.

(3) Termination of the 2017 Scheme

If any of the following occurs in relation to the Company, the 2017 Scheme shall be terminated. Options which are granted but not yet exercised by the Participants shall cease to be exercisable and shall lapse immediately. Such Options shall be withdrawn and cancelled by the Company without any compensation:

- (i) Issue of the Company's financial and accounting report for the most recent financial year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;
- (ii) Issue of an audit report containing an adverse opinion or indication of inability to give an opinion by a certified public accountant in the internal control of financial reporting for the most recent accounting year;
- (iii) Failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the past 36 months after listing;
- (iv) Prohibition from participation in share incentive schemes under laws and regulations;
- (v) Other circumstances as determined by the CSRC.

(4) False statements

Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with arrangements for the grant or exercise of Options, all outstanding Options shall be repurchased and cancelled. In respect of Options already exercised, Participants concerned shall return to the Company all interests obtained from the 2017 Scheme after false statements or misleading statements in or material omissions from the information disclosure documents have been confirmed. Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of interests granted may seek compensation from the Company or responsible parties in accordance with relevant arrangements under the 2017 Scheme.

(5) Change of personal particulars of the Participant

- (i) Should any of the following occur in relation to a Participant, all his/her Options which are exercisable but not yet exercised shall cease to be exercisable and Options which are not yet exercisable shall lapse forthwith at the date of occurrence:
 - (a) becoming a Supervisor or other staff who cannot hold Shares or options of the Company;
 - (b) having been declared an inappropriate candidate by any stock exchange;
 - (c) having been declared an inappropriate candidate by the CSRC or its local bureaus;
 - (d) having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local bureaus owing to material violations of laws and regulations;
 - (e) having been imposed with criminal penalties due to violation of laws and regulations, or disciplinary treatment due to violation of internal management regulations of the Company;
 - (f) having violated laws or regulations of the State and the provisions of Articles of Associations resulting in major economic loss to the Company;
 - (g) having been dismissed by the Company due to material non-compliance and violation of internal rules and regulations;
 - (h) having other situations as determined by the remuneration and evaluation committee of the Board; or

- (i) during the Validity Period, where the Participants damage the interests or reputation of the Company as a result of his/her dereliction of duty or malfeasance which leads to a demerit record or a more severe disciplinary action imposed by the Company (excluding dismissal situations as stipulated in paragraph (e), (f) and (g) above), he/she cannot exercise his/her Options which are exercisable in the closest exercise period, and such Options which are exercisable but not yet exercised in the relevant exercise period cannot be exercised in the future, but other Options which are exercisable in the subsequent exercise periods will not be affected.
- (ii) Should any of the following occur in relation to a Participant, all his/her Options which are exercisable but not yet exercised shall be exercised within six months from the date of occurrence and Options which are not yet exercisable shall lapse forthwith at the date of occurrence:
 - (a) his/her labor contract or employment contract with the Company having been unilaterally terminated or cancelled by the Participant;
 - (b) either party having decided not to renew the labor contract or employment contract after its expiration; or
 - (c) other situations as determined by the remuneration and evaluation committee of the Board.
- (iii) Should any of the following occur in relation to a Participant, all his/her Options which are exercisable but not yet exercised shall be exercised within six months from the date of occurrence and Options which are not yet exercisable shall lapse forthwith at the date of occurrence:
 - (a) death or incapacity;
 - (b) retirement;
 - (c) termination of the labor contract or employment contract in advance in consensus with the Company; or
 - (d) other situations as determined by the remuneration and evaluation committee of the Board.
- (iv) The Options held by a Participant shall not be affected by any change in his/her job position or his/her transfer to a wholly-owned or controlled subsidiary of the Company, and he/she shall remain entitled to the grant and exercise of Options.
- (v) Other unspecified situations and its handling method shall be determined by the remuneration and evaluation committee of the Board.

10. Supplementary Provisions

- (1) The 2017 Scheme shall be effective upon approval of the 2017 Scheme at the general meeting of the Company.
- (2) In case of any conflicts between relevant terms of the 2017 Scheme and relevant laws, regulations and administrative rules, regulatory documents of the State or the Hong Kong Listing Rules, the relevant laws, regulations and administrative rules, regulatory documents of the State and the Hong Kong Listing Rules shall prevail. Any issue not specified in the 2017 Scheme shall be implemented in accordance with the relevant laws, regulations, administrative rules, regulatory documents of the State and the Hong Kong Listing Rules.
- (3) The right of interpretation of the 2017 Scheme belongs to the Board.
- (4) The issue of Shares pursuant to the exercise of the Options granted under the 2017 Scheme shall be in accordance with provisions of the Articles of Association as at the date of issue of Shares (the “Issue Date”), and shall rank *pari passu* in all respects with all paid-up A Shares in issue as at the Issue Date, entitling the Participants to qualify for all dividends and other distributions declared, paid or made after the Issue Date (except dividends and other distributions declared, paid or made before the Issue Date if resolutions for approving each distribution or payment are passed before the Issue Date). Participants are bound by the blackout provisions of the 2017 Scheme (if applicable).
- (5) The Company shall not provide any loans or any other forms of financial assistance (including providing guarantee for the loan extended to the Participants) to the Participants for exercising the Options.
- (6) Options granted to the Participants under the 2017 Scheme are personal and the Participants shall not sell, assign, charge or mortgage or create any encumbrances in respect of any Options.

II. PROPOSED GRANT UNDER THE 2017 SCHEME

The principal terms of the proposal in respect of the Proposed Grant of the Options are set out in detail in this section. Relevant requirements of the proposal of the Proposed Grant of the Options shall also comply with the restrictive provisions under the 2017 Scheme. Other requirements not provided for in the proposal in respect of the Proposed Grant of Options shall be determined by reference to the relevant terms under the 2017 Scheme.

1. Number of underlying Shares in relation to the Options under the Proposed Grant

The total number of underlying A Shares in relation to the Options that may be granted under the Proposed Grant shall not exceed 150,000,000 A Shares, representing approximately 3.6% of the Company's existing total issued share capital and approximately 4.4% of the total number of A Shares as at the Latest Practicable Date. It is proposed that the Proposed Grant will involve Options to subscribe for no more than 150,000,000 A Shares, representing approximately 3.6% of the Company's existing total issued share capital (4,185,896,909 Shares) and approximately 4.4% of the total number of A Shares as at the Latest Practicable Date (3,430,394,375 A Shares).

2. Allocation of the Options under the Proposed Grant

The total number of proposed Participants under the Proposed Grant is 2,013, representing approximately 3.5% of the total number of employees of the Company as at the Latest Practicable Date. The proposed Participants of the 2017 Scheme include the Directors, senior management and key business personnel who have direct impact on the overall results and continuous development of the Company or who have outstanding contribution to the Company. Details of the allocation of the Proposed Grant under the 2017 Scheme are as follows:

Name of the Participant	Position of the Participant	Number of Options to be granted to the Participant under the 2017 Scheme	Percentage of number of Options to be granted to the Participant to the total number of Options under the 2017 Scheme	Percentage of underlying A Shares to the total number of share capital of the Company as at the Latest Practicable Date
Zhang Jianheng 張建恆	Vice chairman	50,000	0.03%	0.0012%
Luan Jubao 樂聚寶	Vice chairman	50,000	0.03%	0.0012%
Zhao Xianming 趙先明	Director and president	800,000	0.54%	0.0191%
Wang Yawen 王亞文	Director	50,000	0.03%	0.0012%

APPENDIX I

SUMMARY OF THE PRINCIPAL TERMS OF THE 2017 SCHEME AND THE PROPOSED GRANT THEREUNDER

Name of the Participant	Position of the Participant	Number of Options to be granted to the Participant under the 2017 Scheme	Percentage of number of Options to be granted to the Participant to the total number of Options under the 2017 Scheme	Percentage of underlying A Shares to the total number of share capital of the Company as at the Latest Practicable Date
Tian Dongfang 田東方	Director	50,000	0.03%	0.0012%
Zhan Yichao 詹毅超	Director	50,000	0.03%	0.0012%
Xu Huijun 徐慧俊	Executive vice president	550,000	0.37%	0.0131%
Zhang Zhenhui 張振輝	Executive vice president	550,000	0.37%	0.0131%
Pang Shengqing 龐勝清	Executive vice president	450,000	0.30%	0.0108%
Xiong Hui 熊輝	Executive vice president	450,000	0.30%	0.0108%
Cao Wei 曹巍	Board secretary	200,000	0.13%	0.0048%
Other key personnel (2,002)		146,750,000	97.84%	3.5058%
Total		150,000,000	100%	3.5835%

All of the Participants are employees of the Group and save as disclosed above, none of them is a Director, chief executive or substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company or an associate of any of them (as defined in the Hong Kong Listing Rules). Of the 2,002 Participants who are the other key personnel of the Company under the Proposed Grant, no single individual would be granted share options the underlying shares of which would represent 1% or more of the total A share capital of the Company.

In addition, the aggregate number of A Shares to be issued to a Participant upon exercise of his/her Options under the 2017 Scheme pursuant to the Proposed Grant and the 2013 Scheme would not exceed 1% of the Company's total A share capital in issue, and the maximum entitlement which may be granted to a Participant (including exercised, cancelled and outstanding Options) within any 12-month period would not exceed 1% of the Company's total A share capital.

In accordance with Rule 17.04(1) of the Hong Kong Listing Rules, the above grant of options to directors and chief executives of the Company have been approved by the independent non-executive Directors. None of the proposed Participant is a substantial shareholder or independent non-executive director of the Company or their respective associates. The above grant of options to directors and chief executives of the Company have also been reviewed and approved by the remuneration and evaluation committee of the Company.

3. Date of Grant

Within 60 days after the approval of the 2017 Scheme at a general meeting of the Company, the Board shall determine the Date of Grant and complete the relevant registration procedures and publication of an announcement.

The Date of Grant must be a trading day and must not fall within any of the following periods:

- (1) where the Participant is a Director, the period commencing from 60 days immediately preceding the publication date of the annual results and ending on the publication date of the annual results (publication date included); and the period commencing from 30 days immediately preceding the publication date of the quarterly results and half-year results and ending on the publication date of the quarterly results and half-year results (publication date included);
- (2) period commencing on the date on which the Company becomes aware of any inside information and ending on the publication of such information. In particular, no options can be granted in the period commencing one month immediately before the earlier of: (a) the date of the Board meeting for approving the Company's results of any year, half-year, quarterly or any other interim period; and (b) the deadline for the Company to announce its results for any year or half-year under the applicable listing rules, or any quarterly or any other interim period.

4. Exercise price and basis of determination

The exercise price of the Options proposed to be granted under the 2017 Scheme shall be RMB17.06 per A Share. Upon fulfilment of exercise conditions, each Option granted to the Participant entitles the Participant to acquire one A Share at RMB17.06 per A Share.

The above exercise price is the higher of the following:

- (i) the average of the trading prices of the A Shares on the last trading day immediately preceding the date of the announcement of the summary of the 2017 Scheme (i.e. 19 April 2017), which was RMB17.06 per A Shares; and

- (ii) the average of the trading prices of the A Shares for the last 120 trading days immediately preceding the date of the announcement of the summary of the 2017 Scheme, which was RMB16.34 per A Share.

During the Validity Period, in the event of any dividend distribution, capitalization issue, bonus issue, sub-division or rights issue or consolidation of Shares, etc. in relation to the A Shares before the exercise of the Options, an adjustment to the exercise price shall be made accordingly.

5. Conditions of Proposed Grant and exercise of the Options

The Proposed Grant of Options and the exercise of the Options are also subject to the satisfaction of the conditions stipulated under the 2017 Scheme (the principal terms of which are set out in the section “I. SUMMARY OF THE PRINCIPAL TERMS OF THE 2017 SCHEME — 7. Conditions of grant and exercise of the Options” above).

This Appendix sets out the English translation of the Chinese version of the Performance Appraisal System. Should there be any inconsistencies or conflicts between the English and Chinese versions, the Chinese version shall prevail.

ZTE CORPORATION

THE 2017 SHARE OPTION INCENTIVE SCHEME PERFORMANCE APPRAISAL SYSTEM

The 2017 Share Option Incentive Scheme Performance Appraisal System of ZTE Corporation (“Performance Appraisal System”) is formulated in accordance with the Company Law of the People’s Republic of China (“Company Law”), other pertinent laws and regulations and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”) as well as the prevailing performance appraisal systems with a view to improving the corporate governance structure, strengthening performance management and the incentive and binding mechanism of ZTE Corporation (the “Company” or “ZTE”), and assuring smooth implementation of the Company’s 2017 Share Option Incentive Scheme (the “2017 Scheme”).

I. PURPOSE OF PERFORMANCE APPRAISAL

The scientific and comprehensive performance management system is developed with the aim of fully implementing strategic goals in the Company’s overall development, assuring concerted efforts on the part of the Company staff to conduct business operations and development in the overall interests of the Company, ensuring a high level of consistency between operational targets and the Company’s strategy, strengthening the Company’s incentive and binding mechanism and ensuring smooth implementation of the 2017 Scheme.

II. PARTICIPANTS OF PERFORMANCE APPRAISAL

1. Participants to be evaluated under the Performance Appraisal System shall primarily be participants of the 2017 Scheme.
2. The Company shall determine scheme participants subject to appraisal based on relevant provisions of the Company Law, Securities Law of the People’s Republic of China, Administrative Measures on Share Incentives of Listed Company (《上市公司股權激勵管理辦法》) and Articles of Association of ZTE Corporation (the “Articles of Association”) and other pertinent laws, regulations and regulatory documents; subject to compliance with laws and regulations, the Articles of Association and Hong Kong Listing Rules, the Company may adjust the scope of scheme participants to reflect changes in the Company’s business development and according to results of individual performance appraisals.

3. Following consideration and approval of the 2017 Scheme by the board of directors of the Company (the “Board”), the supervisory committee of the Company (the “Supervisory Committee”) shall conduct verification in respect of the list of scheme participants. The statement of verification and publication of the list of participants shall be announced by the Company prior to the consideration of the share option incentive scheme at the Company’s general meeting.

III. BASES AND PRINCIPLES FOR PERFORMANCE APPRAISAL

Different appraisal indicators and corresponding targets shall be set for different job positions and duties under the ZTE performance appraisal criteria, and reviews and necessary adjustments shall be made on an annual basis. Performance appraisals for the 2017 Scheme shall be bound by the Performance Appraisal System, and the Board shall determine the number of exercisable options for scheme participants according to the results of the Company’s overall performance appraisal and the extent of completion of individual performance targets.

The Company shall conduct a breakdown of its key business performance indicators into performance indicators for individual job positions at various levels in accordance with approved job duties. Management officers and staff at various units shall agree on performance targets, performance indicators and evaluation criteria through mutual discussions. Specific requirements are as follows:

1. The targets should be specific, quantitative, appropriately challenging and subject to deadlines. Individual targets should be set in close tandem with the targets of the unit with a view to mutual success.
2. In respect of a position subject to matrix management, performance targets for the employee concerned shall be jointly determined by his/her immediate administrative supervisor together with his/her immediate business supervisor.

**IV. DUTIES OF THE ORGANIZATION RESPONSIBLE FOR THE PERFORMANCE
APPRAISAL SYSTEM**

The Performance Appraisal System, formulated and subject to interpretation and amendment by the Company's human resources department (the "HR Department"), shall come into effect on the date of publication. Departments responsible for organizing and implementing performance appraisal shall include the Company's assessment office, operations management department, financial management department and the HR Department.

1. As the highest management authority in the performance appraisal system, the Board and the remuneration and evaluation committee thereunder shall be responsible for formulating the targets of performance appraisal and the principles for appraisal and shall be vested with the authority to finalize appraisal results.
2. The HR Department shall be responsible for setting up, in association with the Company's assessment office, operations management department and financial management department, a Company appraisal and evaluation team, which shall be in charge of monitoring and coordinating appraisal and evaluation activities of various business units and relevant subsidiaries ("Units") of the Company.
3. Appraisal and evaluation teams at the respective Units shall be responsible for the screened selection, evaluation and examination, appraisal and assessment and determination of option quotas in respect of scheme participants in the respective Units under the teams' jurisdiction.

V. THE PERFORMANCE APPRAISAL SYSTEM**1. Contents of Appraisal**

Performance appraisals in respect of the Company's directors (the "Director(s)") and senior management and performance appraisals in respect of the Company's key personnel shall be separately conducted.

(1) Appraisal of the Company's Directors and senior management

Appraisal of the Company's Directors and senior management shall be conducted by the remuneration and evaluation committee of the Board and reported to the Board for examination and confirmation. Appraisal of the Directors shall be based on the overall business performance indicators of the Company. Principal business performance indicators for the senior management shall be distinguished into two groups, namely financial indicators and non-financial indicators, in connection with which appraisal targets corresponding to such indicators shall be set by the remuneration and evaluation committee of the Board annually based on benchmark data of industry peers and the Company's actual requirements.

The HR Department shall compute the performance results of the Company's Directors and senior management based on the extent of actual completion of the aforesaid appraisal indicators and specific targets.

(2) Appraisal of Key Personnel

- 1) Appraisal shall be conducted on an annual basis;
- 2) Appraisal and evaluation teams at various levels shall evaluate scheme participants in the respective Units under the teams' jurisdiction in terms of their business performance, competence and values, in order to generate performance appraisal results.

2. Management of Appraisal Results*(1) Revision of Appraisal Indicators and Results*

In the event of material force majeure or exceptional reasons occurring during the appraisal period and affecting the work and business performance of persons under appraisal, the Company's remuneration and evaluation committee may adjust appraisal indicators and appraisal results that have been subject to significant deviations.

(2) Notification of Appraisal Results

Personnel under appraisal shall be notified of the appraisal results within ten working days after the appraisal is completed.

**VI. HOW PERFORMANCE APPRAISAL MAY AFFECT SHARE OPTION
INCENTIVES**

The exercise of share options granted to scheme participants shall be subject to the fulfilment of the Company's overall business performance indicators/targets and the achievement of a passing level for individual performance appraisal. Specifically, the conditions of fulfilment are as follows:

1. Achievement of the Company's overall performance appraisal targets; and
2. Achievement of the individual performance appraisal targets of the participant under appraisal: scheme participants having achieved a passing level in the appraisal for the previous year in accordance with the Performance Appraisal System.

In addition to achieving the performance appraisal targets, other provisions of the ZTE Corporation 2017 Scheme (Draft) relating to the exercise of options of scheme participants, if any, shall also be complied with.

VII. SUPPLEMENTARY PROVISIONS

The Performance Appraisal System shall be subject to interpretation and amendment by the HR Department of ZTE and shall come into effect and implementation upon consideration and approval by the Board and the general meeting of the Company.

SUPPLEMENTARY NOTICE OF THE 2016 ANNUAL GENERAL MEETING

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ZTE

ZTE CORPORATION

中興通訊股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 763)

SUPPLEMENTARY NOTICE OF THE 2016 ANNUAL GENERAL MEETING

The Company and all the members of the Board of Directors confirm that all the information contained in this information disclosure is true, accurate and complete without any false or misleading statement or material omission.

Reference is made to the notice of the 2016 annual general meeting dated 10 April 2017 (the “AGM Notice”) of ZTE Corporation (the “Company”) which set out details of the 2016 annual general meeting of the Company to be convened at the 4/F Floor, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China on Tuesday, 20 June 2017 at 9:00 a.m. (the “AGM”).

On 24 April 2017, the board of directors of the Company received three ex tempore motions from its shareholder, Shenzhen Zhongxingxin Telecommunications Equipment Company Limited (“Zhongxingxin”, which held 1,269,830,333 A shares in the Company, representing 30.34% of the total number of shares of the Company, as at 24 April 2017) which requested the board of directors of the Company to table such motions for consideration at the AGM.

SUPPLEMENTARY NOTICE IS HEREBY GIVEN that the AGM will be held as originally scheduled. In addition to the resolutions set out in the AGM Notice, the following resolutions will be considered and, if thought fit, approved (capitalised terms used in this supplementary notice shall have the same meanings as those defined in the supplementary circular of the Company dated 26 April 2017, unless the context otherwise requires):

Special Resolutions

13. Resolution on the “2017 Share Option Incentive Scheme (Draft) of ZTE Corporation” (the “2017 Scheme”) and its summary

That: The 2017 Scheme (a summary of terms setting out the structure and terms specified below is contained in the supplementary circular of the Company dated 26 April 2017) be hereby approved and adopted:

- (1) Basis for determining the Participants and the scope of Participants of the 2017 Scheme;
- (2) Source and number of subject shares under the 2017 Scheme;
- (3) Validity Period, date of grant, vesting period, exercise arrangements and lock-up period for subject shares under the 2017 Scheme;
- (4) Exercise price of share options and basis of determination;
- (5) Conditions of grant and exercise of share options;
- (6) Methods and procedures for adjustment of the number and the exercise price of the share options;
- (7) Accounting treatment of share options;
- (8) Procedures for the grant by the Company and the exercise by Participants of share options;
- (9) Respective rights and obligations of the Company and the Participants;
- (10) Handling of special cases;
- (11) Amendment and termination of the 2017 Scheme;
- (12) Disclosure of information;
- (13) Conflict or dispute resolution mechanism; and
- (14) Supplementary provisions.

14. Resolution on “The 2017 Share Option Incentive Scheme Performance Appraisal System of ZTE Corporation”

That: The 2017 Share Option Incentive Scheme Performance Appraisal System (a summary of which is contained in the supplementary circular of the Company dated 26 April 2017) be hereby approved and adopted.

15. Resolution on a mandate granted to the Board by the General Meeting of ZTE Corporation to deal with matters pertaining to the 2017 Scheme

That: the Board be hereby authorised to implement and administer the 2017 Scheme of the Company. The Board is hereby authorised to conduct, including but not limited to the following:

- (1) To confirm the qualifications and conditions of Participants for participation in the 2017 Scheme, to confirm the list of Participants and the number of share options to be granted and to confirm the grant price of the subject shares;
- (2) To examine and confirm whether the Company and the Participants are qualified to exercise their options and are in compliance with the conditions for exercise and to examine and confirm the number and amount of options to be exercised;
- (3) To determine the date of grant and method of exercise for the 2017 Scheme, decide whether the Participants may exercise their options, grant share options to Participants upon their fulfillment of relevant conditions and handle all matters required for the grant and exercise of share options;
- (4) To adjust the number of subject shares or the exercise price in accordance with the principles and in the manner stipulated under the 2017 Scheme when such adjustment is required by reason of the Company’s ex-right or ex-dividend shares or otherwise;
- (5) To decide upon changes in the process of implementation of the 2017 Scheme based on actual conditions, including but not limited to annulling the qualifications of the Participants for exercising their options, cancelling outstanding share options of the Participants and withdrawal and cancellation of unexercised share options of the Participants;
- (6) To manage and adjust the 2017 Scheme based on actual conditions and, subject to the terms and principles of the 2017 Scheme, to formulate or modify provisions for the administration and implementation of the 2017 Scheme from time to time, provided that if such modifications are required by the laws, regulations or relevant regulatory authorities to be subject to the approval of the general meeting of the Company and/or relevant regulatory authorities, the corresponding approvals for such modifications by the Board must be obtained;
- (7) To sign, execute, modify and terminate any agreements relating to the 2017 Scheme and other relevant agreements;

SUPPLEMENTARY NOTICE OF THE 2016 ANNUAL GENERAL MEETING

- (8) To authorise the Board to adjust the relevant terms of the 2017 Scheme in accordance with any amendments to relevant laws, regulations, rules and regulatory documents in the event of such amendments;
- (9) To appoint receiving banks, accountants, legal advisers and other intermediaries for the implementation of the 2017 Scheme;
- (10) To conduct other necessary matters required for the implementation of the 2017 Scheme, save for rights expressly stipulated in relevant documents to be exercised by the general meeting of the Company;
- (11) To process examination, registration, filing, ratification, approval and other procedures with relevant governments and authorities in connection with the 2017 Scheme; to sign, execute, modify and complete documents submitted to relevant governments, authorities, organisations and individuals; and to do all acts, deeds and matters it deems necessary, proper or appropriate in connection with the 2017 Scheme;
- (12) The mandate granted to the Board shall be coterminous with the 2017 Scheme.

Save for matters expressly stipulated by the law, administrative regulations, rules of the CSRC, regulatory documents, the 2017 Scheme or the Articles of Association to be approved by the Board by way of resolution, other authorisations described above may be exercised by the chairman of the Board or other suitable persons on behalf of the Board upon its delegation.

Proxy Form for the Solicitation of Voting Rights by Independent Non-executive Directors (“Independent Director’s Proxy Form”)

Pursuant to the Administrative Measures on Share Incentives of Listed Company (《上市公司股權激勵管理辦法》) (“Incentive Measures”), the independent non-executive directors of a listed company shall solicit voting rights from all shareholders of the company in the event of the proposed adoption of a share option incentive scheme by such company. The solicitation is intended to provide shareholders of such listed company with an alternative approach to participation in general meetings, so as to encourage them to vote on the resolution in respect of the adoption of a share option incentive scheme. Pursuant to the Incentive Measures and the authorisation of other Independent Non-executive Directors, Mr. Bingsheng Teng, an Independent Non-executive Director, has sent out an Independent Director’s Proxy Form to solicit voting rights from the Shareholders. For further details of the Independent Director’s Proxy Form, please refer to the Report on the Solicitation of Voting Rights by the Independent Non-executive Directors included in the announcement of the Company dated 24 April 2017.

Should you wish to appoint Mr. Bingsheng Teng as your proxy to vote for you and on your behalf at the AGM on the resolutions relating to the 2017 Scheme, please complete and return the Independent Director’s Proxy Form to Computershare Hong Kong Investor

SUPPLEMENTARY NOTICE OF THE 2016 ANNUAL GENERAL MEETING

Services Limited, the H share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by hand or by post, no later than 24 hours before the time appointed for holding the AGM or any adjournment thereof.

You may appoint Mr. Bingsheng Teng as your proxy to vote for you and on your behalf solely on resolutions relating to the 2017 Scheme (namely Resolutions Nos. 13 to 15 set out above). If you wish to appoint persons other than Mr. Bingsheng Teng as your proxy to vote for you and on your behalf on all resolutions (including resolutions relating to the 2017 Scheme) at the AGM, you may complete and return the revised proxy form only and disregard the Independent Director's Proxy Form.

Please note that if you have completed and returned both the revised proxy form and the Independent Director's Proxy Form, but have given inconsistent voting instructions on the resolutions concerned between the revised proxy form and the Independent Director's Proxy Form, your voting instructions given in the Independent Director's Proxy Form will be counted as your vote for or against the resolutions or abstain from voting on the resolutions in relation to the 2017 Scheme (namely Special Resolutions Nos. 13–15 set out above).

Save for the ex tempore motion added as aforesaid, other details, such as the time, venue and method of the AGM, as set out in the AGM Notice, remain unchanged.

By Order of the Board
Yin Yimin
Chairman

Shenzhen, the PRC
26 April 2017

As at the date hereof, the Board of Directors of the Company comprises three executive directors, Yin Yimin, Zhao Xianming and Wei Zaisheng; five non-executive directors, Zhang Jianheng, Luan Jubao, Wang Yawen, Tian Dongfang and Zhan Yichao; and five independent non-executive directors, Richard Xike Zhang, Chen Shaohua, Lü Hongbing, Bingsheng Teng and Zhu Wuxiang.

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2017

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ZTE

ZTE CORPORATION

中興通訊股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 763)

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2017

The Company and all the members of the Board of Directors confirm that all the information contained in this information disclosure is true, accurate and complete without any false or misleading statement or material omission.

NOTICE IS HEREBY GIVEN that the first H shareholders' class meeting of 2017 (the "H Shareholders' Class Meeting") of ZTE Corporation (the "Company") will be convened on Tuesday, 20 June 2017 immediately following the 2016 annual general meeting and the first A shareholders' class meeting of 2017 or any adjournments thereof at the 4/F, A Wing, ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China to consider and, if thought fit, approve, the following resolutions (capitalised terms used in this notice shall have the same meanings as those defined in the supplementary circular of the Company dated 26 April 2017, unless the context otherwise requires):

Special Resolutions

1. Resolution on the "2017 Share Option Incentive Scheme (Draft) of ZTE Corporation" (the "2017 Scheme") and its summary

That: The 2017 Scheme (a summary of terms setting out the structure and terms specified below is contained in the supplementary circular of the Company dated 26 April 2017) be hereby approved and adopted.

- (1) Basis for determining the Participants and the scope of Participants of the 2017 Scheme;
- (2) Source and number of subject shares under the 2017 Scheme;

- (3) Validity Period, date of grant, vesting period, exercise arrangements and lock-up period for subject shares under the 2017 Scheme;
- (4) Exercise price of share options and basis of determination;
- (5) Conditions of grant and exercise of share options;
- (6) Methods and procedures for adjustment of the number and the exercise price of the share options;
- (7) Accounting treatment of share options;
- (8) Procedures for the grant by the Company and the exercise by Participants of share options;
- (9) Respective rights and obligations of the Company and the Participants;
- (10) Handling of special cases;
- (11) Amendment and termination of the 2017 Scheme;
- (12) Disclosure of information;
- (13) Conflict or dispute resolution mechanism; and
- (14) Supplementary provisions.

2. Resolution on “The 2017 Share Option Incentive Scheme Performance Appraisal System of ZTE Corporation”

That: The 2017 Share Option Incentive Scheme Performance Appraisal System (a summary of which is contained in the supplementary circular of the Company dated 26 April 2017) be hereby approved and adopted.

3. Resolution on a mandate granted to the Board by the General Meeting of ZTE Corporation to deal with matters pertaining to the 2017 Scheme

That: the Board be hereby authorised to implement and administer the 2017 Scheme of the Company. The Board is hereby authorised to conduct, including but not limited to the following:

- (1) To confirm the qualifications and conditions of Participants for participation in the 2017 Scheme, to confirm the list of Participants and the number of share options to be granted and to confirm the grant price of the subject shares;
- (2) To examine and confirm whether the Company and the Participants are qualified to exercise their options and are in compliance with the conditions for exercise and to examine and confirm the number and amount of options to be exercised;

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2017

- (3) To determine the date of grant and method of exercise for the 2017 Scheme, decide whether the Participants may exercise their options, grant share options to Participants upon their fulfillment of relevant conditions and handle all matters required for the grant and exercise of share options;
- (4) To adjust the number of subject shares or the exercise price in accordance with the principles and in the manner stipulated under the 2017 Scheme when such adjustment is required by reason of the Company's ex-right or ex-dividend shares or otherwise;
- (5) To decide upon changes in the process of implementation of the 2017 Scheme based on actual conditions, including but not limited to annulling the qualifications of the Participants for exercising their options, cancelling outstanding share options of the Participants and withdrawal and cancellation of unexercised share options of the Participants;
- (6) To manage and adjust the 2017 Scheme based on actual conditions and, subject to the terms and principles of the 2017 Scheme, to formulate or modify provisions for the administration and implementation of the 2017 Scheme from time to time, provided that if such modifications are required by the laws, regulations or relevant regulatory authorities to be subject to the approval of the general meeting of the Company and/or relevant regulatory authorities, the corresponding approvals for such modifications by the Board must be obtained;
- (7) To sign, execute, modify and terminate any agreements relating to the 2017 Scheme and other relevant agreements;
- (8) To authorise the Board to adjust the relevant terms of the 2017 Scheme in accordance with any amendments to relevant laws, regulations, rules and regulatory documents in the event of such amendments;
- (9) To appoint receiving banks, accountants, legal advisers and other intermediaries for the implementation of the 2017 Scheme;
- (10) To conduct other necessary matters required for the implementation of the 2017 Scheme, save for rights expressly stipulated in relevant documents to be exercised by the general meeting of the Company;
- (11) To process examination, registration, filing, ratification, approval and other procedures with relevant governments and authorities in connection with the 2017 Scheme; to sign, execute, modify and complete documents submitted to relevant governments, authorities, organisations and individuals; and to do all acts, deeds and matters it deems necessary, proper or appropriate in connection with the 2017 Scheme;
- (12) The mandate granted to the Board shall be coterminous with the 2017 Scheme.

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2017

Save for matters expressly stipulated by the law, administrative regulations, rules of the CSRC, regulatory documents, the 2017 Scheme or the Articles of Association to be approved by the Board by way of resolution, other authorisations described above may be exercised by the chairman of the Board or other suitable persons on behalf of the Board upon its delegation.

Proxy Form for the Solicitation of Voting Rights by Independent Non-executive Directors (“Independent Director’s Proxy Form”)

Pursuant to the Administrative Measures on Share Incentives of Listed Company (《上市公司股權激勵管理辦法》) (“Incentive Measures”), the independent non-executive directors of a listed company shall solicit voting rights from all shareholders of the company in the event of the proposed adoption of a share option incentive scheme by such company. The solicitation is intended to provide shareholders of such listed company with an alternative approach to participation in general meetings, so as to encourage them to vote on the resolution in respect of the adoption of a share option incentive scheme. Pursuant to the Incentive Measures and the authorisation of other Independent Non-executive Directors, Mr. Bingsheng Teng, an Independent Non-executive Director, has sent out an Independent Director’s Proxy Form to solicit voting rights from the shareholders. For further details of the Independent Director’s Proxy Form, please refer to the Report on the Solicitation of Voting Rights by the Independent Non-executive Directors included in the announcement of the Company dated 24 April 2017.

Should you wish to appoint Mr. Bingsheng Teng as your proxy to vote for you and on your behalf at the H Shareholders’ Class Meeting on the resolutions relating to the 2017 Scheme, please complete and return the Independent Director’s Proxy Form to Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by hand or by post, no later than 24 hours before the time appointed for holding the H Shareholders’ Class Meeting or any adjournment thereof. For the avoidance of doubt, if you wish to appoint persons other than Mr. Bingsheng Teng as your proxy to vote for you and on your behalf on resolutions relating to the 2017 Scheme at the H Shareholders’ Class Meeting, you may complete and return the proxy form only and disregard the Independent Director’s Proxy Form.

Please note that if you have completed and returned both the proxy form and the Independent Director’s Proxy Form, but have given inconsistent voting instructions on the resolutions concerned between the proxy form and the Independent Director’s Proxy Form, your voting instructions given in the Independent Director’s Proxy Form will be counted as your vote for or against the resolutions or abstain from voting on the resolutions in relation to the 2017 Scheme (namely Special Resolutions Nos. 1–3 set out above).

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2017

Notes:

1. The H share register of the Company will be closed from Monday, 22 May 2017 to Monday, 19 June 2017 (both days inclusive) to determine qualifications of Shareholders to attend and vote at the H Shareholders' Class Meeting. Any H Shareholder who wishes to attend and vote at the H Shareholders' Class Meeting shall lodge an instrument of transfer, together with the corresponding share certificate(s) with Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Friday, 19 May 2017.
2. Shareholders intending to attend the H Shareholders' Class Meeting, whether in person or by proxy, should deliver the reply slip of the H Shareholders' Class Meeting by hand, post or facsimile to the Company's principal place of business in Hong Kong (for H Shareholders) on or before Tuesday, 30 May 2017. The principal place of business of the Company in Hong Kong is: 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong (Facsimile No.: +852-35898555).
3. In order to be valid, the instruments appointing a proxy (including the proxy form and the Independent Director's Proxy Form) and the power of attorney or other authorisation documents (if any) of the signatory or notarised copies of such power of attorney or authorisation documents must be completed and deposited, no later than 24 hours before the time appointed for holding the H Shareholders' Class Meeting or any adjournment thereof at Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders). The completion and return of the proxy form and the Independent Director's Proxy Form shall not preclude a shareholder from attending and voting in person at the H Shareholders' Class Meeting or any adjournment thereof if he so wishes.
4. A shareholder entitled to attend and vote at the H Shareholders' Class Meeting shall be entitled to appoint another one or more proxies to attend and vote for him. A proxy need not be a Shareholder of the Company.
5. In case of joint holders of a share, any one of such holders is entitled to vote at the H Shareholders' Class Meeting, by himself or by proxy, as if he is the only one entitled to do so among the joint holders. However, only the vote of the person whose name stands first on the register of members in respect of such share shall be accepted if more than one joint holder attends the H Shareholders' Class Meeting personally or by proxy.

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2017

6. The H Shareholders' Class Meeting is expected to last for half a day. All transportation and accommodation expenses incurred by Shareholders or their proxies in attending the H Shareholders' Class Meeting shall be borne by themselves. Shareholders or their proxies attending the H Shareholders' Class Meeting shall be required to produce identifications.

By Order of the Board
Yin Yimin
Chairman

Shenzhen, the PRC
26 April 2017

As at the date hereof, the Board of Directors of the Company comprises three executive directors, Yin Yimin, Zhao Xianming and Wei Zaisheng; five non-executive directors, Zhang Jianheng, Luan Jubao, Wang Yawen, Tian Dongfang and Zhan Yichao; and five independent non-executive directors, Richard Xike Zhang, Chen Shaohua, Lü Hongbing, Bingsheng Teng and Zhu Wuxiang.